

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 SSO-00 INRE-00 USIE-00
AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07 FRB-03
INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 LAB-04
EPG-02 SIL-01 AGRE-00 OMB-01 XMB-02 L-03 SS-15
/099 R

FSE
TX-387

DRAFTED BY TREASURY/OASIA/HBJUNZ
MAY 4, 1977 566-5881
APPROVED BY:STATE/EB/IFD/OMA:CCUNDIFF
STATE/EUR/RPE/PLAASE
STATE/EB/ORF/FSE/LRAICHT
-----042338Z 004373 /61
O 042240Z MAY 77
FM SECSTATE WASHDC
TO USMISSION OECD PARIS IMMEDIATE

C O N F I D E N T I A L STATE 101882

E.O. 11652: GDS

TAGS: OECD, CIEC, EFIN

SUBJECT: CIEC: FINANCIAL AFFAIRS COMMISSION CONTACT GROUP
ON MEASURES AGAINST INFLATION

REF: OECD PARIS 13075

1. OUR RESPONSE TO REF CABLE IS AS FOLLOWS:
2. ON REVISED PARA 5: WE DO NOT THINK THAT IT MAKES SENSE
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TO SINGLE OUT "SUCCESSFUL ECONOMIC DEVELOPMENT", AS
ORIGINAL DRAFT WAS MUCH BROADER. BUT WE WILL NOT DIE OVER
REFORMULATION IN DEFENSE OF LOGIC.

3. REDRAFT OF DEMAND MANAGEMENT PARAGRAPH NOT ACCEPTABLE.
IT IS CLEAR THAT NON-INFLATIONARY BEHAVIOR ON THE PART OF
THE KEY INDUSTRIALIZED COUNTRIES IS ONLY A NECESSARY, BUT
NOT A SUFFICIENT CONDITION. TRY AND DELETE ".EACH TO

THE MAXIMUM EXTENT POSSIBLE" AND SUBSTITUTE "ALIKE" IN FIRST SENTENCE; DELETE "INDUSTRIALIZED" IN SECOND SENTENCE; DELETE "SO FAR AS POSSIBLE" IN LAST SENTENCE. AS FALLBACK SUBSTITUTE "TO MAXIMUM EXTENT POSSIBLE" FOR "SO FAR AS POSSIBLE".

4. IN ADDITION, SUBSTITUTING "INCOME POLICIES" FOR "SELECTIVE POLICIES" DOES NOT MAKE MUCH SENSE. INCOME POLICIES ARE ONLY ONE OF VARIOUS POSSIBLE AUXILIARY INSTRUMENTS. YOU MIGHT ARGUE FOR "INCOME POLICIES AND OTHER POLICIES".

5. ON THE LIQUIDITY ISSUE WE STILL QUESTION STRONGLY THE TACTICS OF OPENING THIS SUBJECT IN A G-8 DRAFT. IF NECESSARY YOU MIGHT CONTEMPLATE A FINAL SENTENCE AS FOLLOWS; "FIRM PURSUIT OF THE MEASURES DETAILED ABOVE WILL PREVENT RESURGENCE OF EXCESS DEMAND AND CREATION OF EXCESS LIQUIDITY SUCH AS WOULD LEAD TO RENEWED INFLATIONARY PRESSURES AND WOULD PREVENT THE SUCCESSFUL RETURN TO STABLE ECONOMIC GROWTH". THE POINT IS THAT INTERNATIONAL LIQUIDITY IS CREATED IN MANY WAYS AND NOT JUST BY RESERVE CENTERS. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, POLICIES, AGREEMENT DRAFT, TEXT, INFLATION, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE101882
Document Source: CORE
Document Unique ID: 00
Drafter: OASIA/HBJUNZ
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770157-0066
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770593/aaaadcho.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d93f8c9a-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 OECD PARIS 13075
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2638551
Secure: OPEN
Status: NATIVE
Subject: CIEC: FINANCIAL AFFAIRS COMMISSION CONTACT GROUP ON MEASURES AGAINST INFLATION
TAGS: EFIN, US, OECD, CIEC
To: OECD PARIS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d93f8c9a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009